

Message Text

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43

ACTION NEA-09

INFO OCT-01 EUR-12 ISO-00 ERDA-05 AID-05 CEA-01 CIAE-00

CIEP-01 COME-00 DODE-00 EB-07 FEAE-00 FPC-01 H-02

INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03

USIA-06 SAM-01 OES-03 SP-02 SS-15 STR-04 TRSE-00

FRB-03 PA-01 PRS-01 /103 W

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R 140743Z MAY 75

FM AMEMBASSY KUWAIT

TO SECSTATE WASH DC 2976

INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMCONSUL DHAHRAN

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY MUSCAT

AMEMBASSY TEHRAN

USINT BAGHDAD

USMISSION OECD PARIS

C O N F I D E N T I A L KUWAIT 2048

E.O. 11652: GDS

TAGS: ENRG, PINT KU

SUBJ: MINISTER OF OIL IN POWER STRUGGLE

REF: KUWAIT 1589

SUMMARY: REFTEL, WHICH WAS PREPARED MONTH AGO, DESCRIBED
STEPS OIL MINISTER KAZEMI WAS TAKING TO CONSOLIDATE HIS
POSITION, PARTICULARLY VIS-A-VIS KUWAIT OIL, GAS AND ENERGY
COMPANY (KOGEC). EMBASSY JUDGED THEN THAT A PERIOD OF SOME
INSTABILITY WOULD EXIST WHILE THE CONSOLIDATION PROCESS TOOK
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PLACE, BUT THAT KAZEMI WAS LIKELY TO EMERGE AS A STRONG

MINISTER. WHILE APPARENTLY CORRECT WITH REGARD TO THE PERIOD OF INSTABILITY, THE OUTLOOK NOW FOR KAZEMI TO ASSERT HIS PRIMACY IN OIL AFFAIRS SEEMS CONSIDERABLY LESS CERTAIN. END SUMMARY.

1. AS NOTED REFTTEL, KAZEMI ISSUED IN APRIL AN ORDER OUTLINING HIS RESPONSIBILITIES AND STATING THAT MINISTRY OF OIL WOULD HOLD GOK SHARES IN PETROLEUM SECTOR COMPANIES, I.E. KOC, KNPC AND OTHERS. (TRADITIONALLY GOK SHARES IN COMPANIES HAVE BEEN HELD BY MINISTER OF FINANCE. UNTIL FINANCE AND OIL PORTFOLIOS WERE SPLIT EARLIER THIS YEAR, ISSUE OF OWNERSHIP AND THEREFORE CONTROL OF GOK POLICIES IN SPECIFIC COMPANIES WAS MOOT.) SINCE THEN, HOWEVER, ANOTHER DIRECTIVE HAS BEEN ISSUED STATING THAT KOGEC WILL HOLD SHARES. ALSO, STUDY (PREPARED BY US CONSULTANT) DEFINING POSITIONS IN MOO, INCLUDING THAT OF MINISTER AND DESCRIBING MOO ORGANIZATION, HAS BEEN AWAITING APPROVAL FROM MINISTER ATEEQI WHO HAS NOT TAKEN ANY ACTION.

2. WE UNDERSTAND FROM RELIABLE SOURCES THAT KAZEMI HAS ANGERED TWO OF HIS CABINET COLLEAGUES--BELIEVED TO BE ATEEQI AND THE DEPUTY PRIME MINISTER AND MINISTER OF INFORMATION, JABIR AL-ALI. ONE LOCAL BUSINESSMAN HAD TOLD EMBOFF THAT ATEEQI-KAZEMI FEUD SO HOT THAT ESSENTIAL COOPERATION AND COORDINATION BETWEEN MINISTERS VIRTUALLY AT A STANDSTILL. KOC SOURCE STATES COMPANY NOT SURE TO WHOM IT SHOULD BE REPORTING, MOO OR KOGEC, AND THAT KOC TAKEOVER DISCUSSIONS EFFECTIVELY IN LIMBO BECAUSE OF SITUATION. SOURCE CLOSE TO PRIMIN ALLEGES THAT AT TOP LEVEL GOK KAZEMI VIRTUALLY IGNORED ON POLICY QUESTIONS. STRONG RUMOR EXISTS ALI KHALIFA AL-SABAH WILL SHIFT TO MINISTER OF FINANCE AS UNDERSECRETARY. WHILE SUCH A MOVE WOULD BE SENSIBLE, HIS DEPARTURE FROM MOO WOULD SERIOUSLY WEAKEN THAT MINISTRY.

3. OUR CURRENT ASSESSMENT BASED ON INFO AVAILABLE FROM SEVERAL SOURCES, IS THAT KAZEMI HAS NOT YET ESTABLISHED HIMSELF AS DE FACTO SENIOR OIL POLICY OFFICIAL AND THAT HIS MINISTRY SEEMS TO BE LOSING A BUREAUCRATIC BATTLE AGAINST MINISTRY OF FINANCE, KOGEC AND PRIME MINISTER'S OFFICE. ANIMOSITY TOWARDS KAZEMI ALLEGEDLY RESTS IN PART ON DISAGREEMENTS OVER SUBSTANTIVE ISSUES (E.G. KNPC, KOC TAKEOVERS), STYLE (E.G., ANNOUNCING KOC TAKEOVER SUDDENLY IN ALGIERS) AND, PERHAPS, PERSONALITY CLASHES. CONFIDENTIAL

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KAZEMI NOW APPEARS MUCH LESS CERTAIN TO BECOME A STRONG MINISTER, BUT FACT REMAINS HE HAS INDEPENDENT POWER BASE AND A SEAT IN NATIONAL ASSEMBLY. MOREOVER, HIS THREAT TO QUIT IF HE DOES NOT GET HIS WAY REMAINS.

4. COMMENT: WE THINK GOK WILL TRY TO WORK OUT COMPROMISE BECAUSE IT HAS NO DESIRE TO ANTAGONIZE UNNECESSARILY SHI'A COMMUNITY KAZEMI REPRESENTS. MOREOVER, A DISGRUNTLED KAZEMI IN NATIONAL

ASSEMBLY COULD BE FOCAL POINT FOR OPPOSITION ELEMENTS, PARTICULARLY OVER SENSITIVE OIL AND FINANCIAL QUESTIONS. HOWEVER, SOME OF KAZEMI'S ANTAGONISTS ARE VERY POWERFUL IN THEIR OWN RIGHT AND ARE UNLIKELY TO CONTINUE TO ALLOW A RELATIVELY YOUNG SHI'A KUWAITI, EVEN IF HE IS MINISTER OF OIL, TO DETERMINE POLICIES WITH WHICH THEY DISAGREE. BASIC PERSONALITY CLASHES AND BUREAUCRATIC POWER STRUGGLES ARE LIKELY TO REMAIN. IT APPEARS AN INCONVENIENT AND , PERHAPS, NASTY POLITICAL FEUD, RATHER UNUSUAL FOR KUWAIT, IS DEVELOPING. UNTIL RESOLVED, THE GOVERNMENT PROBABLY WILL BE UNABLE TO PURSUE IMPORTANT POLICY AND PROGRAM INITIATIVES AS ACTIVELY AND EASILY AS IT WOULD WISH.
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